

Message Text

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C O N F I D E N T I A L SECTION 1 OF 2 TEHRAN 1691

E.O. 11652: GDS
TAGS: PGOV EFIN ENRG IR
SUBJ: NEW APPOINTMENTS ANNOUNCED TO CENTRAL BANK, BANK MELLI AND
NIOC

1. BEGIN UNCLASSIFIED: THE SHAH ON FEB 15, RECEIVED IN SEPARATE AUDIENCES PRIMIN AMOUZEGAR AND NIOC CHAIRMAN AND MANAGING DIR ANSARY WHO RESPECTIVELY INTRODUCED: -. YUSSEF KHOSHKISH AS THE NEW GOVERNOR OF THE CENTRAL BANK OF IRAN (CBI) AND JALIL SHORAKA, FORMERLY DEPUTY MIN OF THE MINISTRY OF ECONOMIC AFFAIRS AND FINANCE (MEAF) AS KHOSHKISH'S SUCCESSOR TO THE PRESIDENCY OF BANK MELLI; AND B. HASSAN-ALI MEHRAN, FORMERLY CBI GOVERNOR, AND FOROKH NAJMABADI, FORMERLY MANAGING DIR OF THE NATIONAL IRANIAN STEEL INDUSTRIES CORP (NISIC) AND CHAIRMAN OF IRAN COPPER INDUSTRIES AND UNTIL AUG 7, 77 MIN OF INDUSTRY AND MINES, AS DEPUTY CHAIRMAN TO ANSARY AND MANAGING DIR AT THE NIOC FOR ECONOMIC AND COMMERCIAL AFFAIRS AND FOR TECHNICAL AFFAIRS RESPECTIVELY. REPLACEMENTS FOR SHORAKA AND NAJMABADI WERE NOT NAMED.

2. PRESS REPORTS CONVEYED THE SHAH'S EXPECTATIONS THAT THE NIOC SHOULD "UTILIZE ITS VAST RESOURCES AND CAPABILITIES TO BECOME THE WORLD'S BIGGEST COMPANY IN EVERY ASPECT." ANSARY REPORTEDLY TOLD THE SHAH THAT HE HAS ISSUED INSTRUCTIONS CONCERNING NIOC'S NEW ACTIVITIES IN TAPPING NON TRADITIONAL SOURCES OF ENERGY, ESPECIALLY SOLAR, AS WELL AS NEW EXPLORATION PROGRAMS FOR OIL AND GAS. IN THE
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AUDIENCE WITH THE NEW BANKERS THAT SHAH REPORTEDLY INSTRUCTED A CAREFUL AND METICULOUS APPLICATION OF THE COUNTRY'S MONETARY POLICY AND THE DIRECTION OF BANK CREDITS TO PRODUCTIVE, RATHER THAN SPECULATIVE AND CONSUMPTIVE PURPOSES. END UNCLASSIFIED.

3. BEGIN CONFIDENTIAL: THESE APPOINTMENTS CARRY AN UNUSUALLY HIGH ELEMENT OF SURPRISE AND POTENTIAL CHANGE. A. SHORAKA, 47, AN

ACCOUNTANT BY TRAINING AND WITH EXPERIENCE IN THE MEAF, THE CBI (AS DEPUTY), AND THE EXPORT PROMOTION CENTER, TAKES RELATIVE YOUTH, A "MERCHANT'S MENTALITY" AND EXPERIENCE INTO THE COUNTRY'S LARGEST AND COMPLETELY GOI OWNED COMMERCIAL BANK. THIS REPRESENTS A CLEAR PROMOTION FOR SHORAKA BUT DIMINISHES HIS POLICY IMPACT. HIS FLEXIBLE, PRAGMATIC APPROACHES WILL CONTRAST SHARPLY WITH HIS PREDECESSOR KHOSHKISH. AS DEPUTY OF MEAF, SHORAKA WAS HEAVILY INVOLVED IN THE USIRJC AS WELL AS OTHER BILATERAL ECONOMIC

POLICY ISSUES AND GENERALLY RESPONSIVE TO US INTERESTS. B. KHOSHKISH'S APPOINTMENT AS CBI GOVERNOR IS CHARACTERIZED AS EITHER A LATERAL MOVE OR SLIGHT PROMOTION AND ALSO A COMPLETE SURPRISE, INITIAL REACTIONS BY CBI OFFICERS AND BANKERS IS SOMEWHAT NEGATIVE. KHOSHKISH, 72, ELDER STATESMAN OF THE BANKING COMMUNITY, PRES OF BANK MELLI FOR 16 YEARS AND CHAIRMAN OF THE BOARD OF THE BANKERS ASSN IS VIEWED AS TOO TRADITIONAL AND INFLEXIBLE FOR THE CBI POST. QUICKLY CONCEDED HIS BANKING EXPERTISE, BANKERS NOEN- THELESS VIEW HIS INSIDE KNOWLEDGE OF THE BANKING SYSTEM WITH CONCERN, SOME SEEING IN IT A PRO STATUS QUO TENDENCY. ONE SENIOR BANKER VOICED A CONCERN HEARD FROM SEVERAL OFFICIAL CONTACTS AND

SHARED BY EMB, I.E. THAT KHOSHKISH LACKS THE POISE AND "PR"CAP- ABILITIES NEEDED IN THE GOVERNOR'S JOB, ESPECIALLY AS IT CONCERNS INTERNATIONAL FINANCIAL ORGANIZATIONS SUCH AS THE IMF. A US BANKER RECOUNTED KHOSHKISH'S LOST BATTLE WITH THE CBI TO CONFIDENTIAL

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LIMIT GOI GUARANTEED LOANS TO IRANIAN LEGAL JURISDICTION AND FEARS A LESS FLEXIBLE AND SOPHISTICATED CBI UNDER HIM. C. THE APPOINTMENTS OF MEHRAN (40) AND NAJMABADI (47) AS DEPUTIES TO ANSARY REPRESENT THE ONLY EXPLICIT FUNCTIONAL CHANGES IN THE FEB 15 ANNOUNCEMENTS. THESE POSITIONS ARE NEW ONES ALTHOUGH IN THE CASE OF MEHRAN HE WILL BE AN "ACTING DEPUTY" UNTIL THE NIOC CHARTER IS AMENDED TO PERMIT A NON "OIL MAN" IN THAT POST. FORMER DEPUTIES DR REZA FALLAH AND AGHAKHAN BAKHTIAR ARE NOW ADVISORS TO THE CHAIRMAN WITH NO CHANGE IN RESPONSIBILITIES. ANSARY'S COMMENTS CONCERNING NEW ACTIVITIES FOR THE NIOC ARE CONSISTENT WITH RECENT REPORTS OF NIOC PLANS TO DIVERSIFY INTO NON TRADITIONAL ENERGY AREAS AS WELL AS MINING. POLITICALLY, THE MOVE IS INTERPRETED BY A NUMBER OF CONTACTS AS A REGROUPING BY ANSARY OF HIS INTIMATES. NAJMABADI SERVED AS ANSARY'S DEPUTY IN THE OLD MIN OF ECONOMY AND REPORTEDLY OWED HIS MINISTERIAL APPOINTMENT TO IM. MEHRAN'S PROTEGE RELATIONSHIP TO ANSARY IS WELL KNOWN, BUT THIS MOVE BELIES REPORTS OF A RECENT COOLING IN THE RELATIONSHIP. ANSARY AND NAJMABADI LOST MINISTERIAL PORTFOLIOS IN NOVEMBER AND AUGUST OF 1977 AND MEHRAN'S ASSIGNMENT IS A CLEAR DEMOTION ALTHOUGH IN THE LONG TERM MAY AUGUR WELL SINCE, INTER ALIA, THERE IS A CLEAR NEED FOR FINANCIAL MANAGEMENT TALENT AT NIOC. THE EMB FINDS SOME VALIDITY IN THE JUDGEMENT BY SEVERAL RESPECTED IRANIANS THAT ANSARY IS BUILDING

HIS "SHADOW CABINET" WHILE IN THE PROCESS MAKING A DETERMINED EFFORT TO INVIGORATE THE PRESTIGIOUS THOUGH PONDEROUS NIOC INTO A CONFIDENTIAL

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DYNAMIC DEVELOPMENT ORIENTED ORGANIZATION.

4. THE VACANCIES CREATED BY THESE MOVES AS WELL AS THE POTENTIAL FOR SECOND-LEVEL MOVES AT THE CBI AND MEAF HAVE THE BUREAUCRACY WAITING FOR THE OTHER "SHOE TO FALL". IN THE MEAF, NOT ONLY IS THE DEPUTY MIN VACANCY IMPORTANT, BUT THE POSITIONS OF UNDERSECRETARIES DR AHMAD KOOROS (FOR ECONOMICS) AND DR JAMSHI ASHRAFI (FOR INTERNATIONAL INVESTMENT AND CREDITS) ARE CONSIDERED SHAKY. NO CHANGES ARE ANTICIPATED UNTIL MINISTER YEGANEH RETURNS FROM KUWAIT. CHANGES AT THE CBI ARE, PERHAPS, LESS LIKELY, ALTHOUGH VICE GOVERNOR FOR RESEARCH DR BAHMAN HOMAYOUN HAS JUST COMPLETED 30 YEARS AND IS RECEPTIVE TO RETIREMENT OR ANOTHER JOB. NISIC HAS SUFFERED THE LOSS OF ITS CHAIRMAN/MANAGING DIR TWICE IN 6 MONTHS, WITH REZA AMIN'S APPOINTMENT AS MIN OF INDUSTRY AND MINES IN AUGUST 77 AND NOW NAJMABADI'S MOVE.

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